

# North Tyneside Council Report to Cabinet 13 November 2017

## ITEM 6(c)

Title: North Tyneside  
Trading Company –  
Strategic Business Plan  
2017- 2020

Portfolio(s): Elected Mayor

Cabinet Member(s): Mrs N Redfearn

Report from  
Service Area: Deputy Chief Executive

Responsible Officer: Paul Hanson, Deputy Chief Executive Tel: (0191) 643 7000

Wards affected: All

## PART 1

### 1.1 Executive Summary:

In December 2012, the Authority established North Tyneside Trading Company Limited (the 'Trading Company'); to act as the Authority's vehicle for trading opportunities.

Cabinet is the shareholder's representative for the North Tyneside Trading Company. In this role and in accordance with the Trading Company's constitution, on 14 November 2016, Cabinet approved the 2016-2019 Strategic Business Plan of the Trading Company.

In line with the Trading Company's constitution, the annual review of this Business Plan has been carried out and therefore Cabinet is now asked to approve the Trading Company's Strategic Business Plan 2017-20.

### 1.2 Recommendation(s):

It is recommended that Cabinet approve the Trading Company's Strategic Business Plan 2017-20.

### 1.3 Forward Plan:

Twenty eight days notice of this report has been given and it first appeared on the Forward Plan that was published on 14 August 2017.

### 1.4 Council Plan and Policy Framework

This report relates to the following priorities in the 2016-2019 Our North Tyneside Plan:

- (1) Our Places: Our places will have more quality affordable homes.
- (2) Our Economy: Our economy will have the right conditions to support investment and create new jobs, especially apprenticeships.

## 1.5 Information:

### 1.5.1 Background

- 1.5.2 The Trading Company was established as a Private Company, Limited by Shares in December 2012. The Trading Company is wholly owned by North Tyneside Council and the Authority is the sole shareholder of the Trading Company. The Trading Company was created to provide services to public bodies and to other customers, as considered appropriate, enabling trading in new markets and different places.
- 1.5.3 The Trading Company and subsidiaries are governed by a Board of Directors and guided by Articles of Association which regulate the affairs of the Company. The composition of the Board of Directors for the Company is four Directors, two Cabinet Members and two senior officers from the Authority's Senior Leadership Team. No Board members are remunerated for their duties. All companies within the Group are subject to Corporation Tax, VAT and other applicable taxes at the appropriate rate.
- 1.5.4 The Trading Company is required to have a Strategic Business Plan that provides a sense of direction for the Trading Company, and that is intended to guide business development. The Board of Directors has reviewed and refreshed the Strategic Business Plan for 2017 – 2020. It sets out the Trading Company's history; governance; mission; approach to appraising business opportunities; assets; products and services; and risks.
- 1.5.5 Part of the Strategic Business Plan sets out how the Trading Company will support the delivery of the Authority's Affordable Homes Programme. This commenced at the end of the financial year 2015/16 with the North Tyneside Trading Company (Development) Limited's (a subsidiary of North Tyneside Trading Company) use of the Reed Avenue site for the development of 13 homes for affordable rental following a Cabinet decision on 9 March 2015. Construction of the homes was completed in March 2017 with the first leases commencing on the 3 April 2017. All homes are occupied in line with the lettings policy which has an emphasis on applicants demonstrating a local connection.
- 1.5.6 The North Tyneside Trading Company (Development) Limited has now agreed a purchasing strategy to acquire homes on the open market to then let at an affordable rent, with the first 2 homes now having been purchased by the Company and a further 5 in the pipeline. Funding of these purchases is via a grant from the Authority of Section 106 Town and Country Planning Act 1990 commuted sums available for affordable housing. It is the intention to continue with this purchasing strategy in line with the Cabinet's priority of delivering more affordable homes. In addition this will build the asset base of the Company.
- 1.5.7 In March 2017, 2 further subsidiaries of North Tyneside Trading Company Limited were incorporated, Aurora Properties (Sale) Limited and Aurora Properties (Rental) Limited in order to deliver Cabinet's property development objectives. The purpose of Aurora Properties (Sale) Limited is to provide homes for sale on the open market while the purpose of Aurora Properties (Rental) Limited is to provide homes to be let at a market rent. In line with Cabinet approval, work has commenced by the Company to build homes for market sale on its first 3 sites, Northumberland Square in North Shields, the Avenue site in Whitley Bay and Wallington Court site in Cullercoats. Funding for the construction of the homes is from the Authority in the form of both debt and equity funding. These sites will be developed by the Company through 2017/18, 2018/19 and 2019/20.

1.5.8 Opportunities for the development of sites and other potential trading options will be considered and presented to Cabinet for consideration, in line with their priorities, at the appropriate time.

1.5.9 The full Strategic Business Case is set out in the Appendix.

## **1.6 Decision options:**

The following decision options are available for consideration by Cabinet:

### Option 1

Cabinet may approve the Trading Company's Strategic Business Plan 2017-20.

### Option 2

Cabinet may not approve the Trading Company's Strategic Business Plan 2017-20 and refer the Business Plan back to the Trading Company to examine further options/opportunities.

Option 1 is the recommended option.

## **1.7 Reasons for recommended option:**

Option 1 is recommended for the following reasons:

If Cabinet approves the recommended option, the Trading Company will continue with the activities set out in the Strategic Business Plan, including continuing with the purchasing strategy of homes to be let at an affordable rent and the construction of new homes for market sale, in line with Cabinet approval.

If the preferred option is not approved, the Trading Company will be unable to undertake the proposed Strategic Business Plan activities, including the purchasing strategy of homes to be let at an affordable rent and the construction of new homes for market sale along with any other potential commercial opportunities.

## **1.8 Appendices:**

Appendix: North Tyneside Trading Company Limited: Strategic Business Plan 2017-20

## **1.9 Contact officers:**

Paul Hanson, Deputy Chief Executive, Tel: (0191) 643 7000

Lisa Clark, Head of Commercial and Business Redesign, Tel: (0191) 643 5719

Sarah Heslop, Manager, Commercial Team, Legal Services, Tel: (0191) 643 5456

Vicki Dixon, Finance Manager, Tel (0191) 643 5723

## **1.10 Background information:**

The following background papers/information have been used in the compilation of this report and are available at the office of the author:

Cabinet 9 March 2015 – Delivering Affordable Homes Update (exempt report)

Cabinet 14 November 2016 – North Tyneside Trading Company – Strategic Business Plan 2016-2019

[http://www.northtyneside.gov.uk/browse-display.shtml?p\\_ID=567013&p\\_subjectCategory=41](http://www.northtyneside.gov.uk/browse-display.shtml?p_ID=567013&p_subjectCategory=41)

Cabinet 14 November 2016 – Delivering Housing Growth through the North Tyneside Trading Company (exempt report)

Cabinet 13 February 2017 – Delivering Housing Growth through North Tyneside Trading Company (exempt report)

Cabinet 8 May 2017 – Delivering Housing Growth – Business Case for Wallington Court (exempt report)

[Cabinet - 8 October 2012 - Creating A Trading Company for North Tyneside Council](#)

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

### **2.1 Finance and other resources**

There are no specific financial implications arising from this report as this is to agree the over arching business plan.

Individual projects which are brought forward for consideration by the Trading Company will have a full business case prepared which will set out the financial implications for both the Authority and the Company.

### **2.2 Legal**

In accordance with the Trading Company's Constitution, Cabinet as the representative shareholder, must be presented with and agree the Business Plan for the Trading Company.

Individual projects which are brought forward for consideration by the Trading Company will have a full business case prepared which will set out the financial implications for both the Authority and the Company.

### **2.3 Consultation/community engagement**

There are no specific public engagement implications arising from this report as this is to agree the over arching business plan. There has been internal consultation with Cabinet Members on the Trading Company proposal.

Engagement/consultation requirements will be considered for any proposal brought forward by the Trading Company.

### **2.4 Human rights**

There are no human rights implications directly arising from this report.

### **2.5 Equalities and diversity**

There are no equalities and diversity implications directly arising from this report.

## 2.6 Risk management

The Trading Company and each active subsidiary has a risk register that the Board regularly reviews and each project has its own risk register. The Trading Company uses the same risk methodology as the Authority.

## 2.7 Crime and disorder

There are no crime and disorder implications directly arising from this report.

## 2.8 Environment and sustainability

There are no environment and sustainability implications directly arising from this report.

### PART 3 - SIGN OFF

- Deputy Chief Executive  X
- Head(s) of Service  X
- Mayor/Cabinet Member(s)  X
- Chief Finance Officer  X
- Monitoring Officer  X
- Head of Corporate Strategy  X



**NORTH  
TYNESIDE  
DEVELOPMENT  
COMPANY**

North Tyneside  
Trading Company  
Limited - HOLDINGS



**AURORA**  
P R O P E R T I E S

**APPENDIX:**

**STRATEGIC BUSINESS PLAN**

**2017-20**

**NORTH TYNESIDE TRADING COMPANY LIMITED**

**QUADRANT  
COBALT BUSINESS PARK  
THE SILVERLINK NORTH  
NORTH TYNESIDE  
NE27 0BY**

**DATE OF INCORPORATION: 11 DECEMBER 2012**

**COMPANY NUMBER: 08326780**

**1 APRIL 2017 TO 31 MARCH 2020**



## EXECUTIVE SUMMARY

North Tyneside Trading Company Limited was established as a Private Company, Limited by Shares in December 2012.

The Company is wholly owned by North Tyneside Council being the sole shareholder of the Company.

The Company was created by the Council to generate an income from the delivery of traded services to the public and private sector.

Whilst our primary function is to deliver an income to the Council, it is fundamental that we operate our business with the highest levels of integrity, accountability and transparency.

The Company is an Umbrella Holding Company that delivers income for the Council through the trading activities of its subsidiaries. The Company will create a new subsidiary for each separate type of activity that is undertaken.

To date the Company has 4 subsidiaries:-

- North Tyneside Trading Company (Consulting) Limited – a Company established for the delivery of professional services. (Currently dormant).
- North Tyneside Trading Company (Development) Limited – a Company established for the delivery of affordable homes.
- Aurora Properties (Sale) Limited – a Company established for the delivery of homes for sale on the open market.
- Aurora Properties (Rental) Limited – a Company established for the delivery of homes for market rental. (Currently dormant).

## INTRODUCTION

This is the fourth Strategic Business Plan for North Tyneside Trading Company Limited. It sets out the mission and strategic ambitions of the Company for the next three years and how these can be delivered.

Details regarding the Company's history and governance are included.

This strategic plan will provide a sense of direction for the Company and will guide our business development.

As a wholly owned company we are accountable to North Tyneside Council as the sole Shareholder. Through us the Council aims to:

- Create an organisation responsive to customer needs and the market;
- Generate income through the delivery of quality services; and
- Improve and enhance the skills of the Council's workforce through delivering opportunities for staff to work across different sectors and potentially in new markets in their provision of services to the Company.



## WHO WE ARE AND HOW WE WORK

### History

At its meeting on 16 April 2012, North Tyneside Council's Cabinet asked officers to develop options for alternative business structures to generate income for the Council. Cabinet received a further report on 11 June 2012 seeking approval to agree the next steps in developing the Council's trading opportunities. A further report was presented on 12 October 2012 to gain Cabinet's approval for appropriate purpose, structure and governance for the trading company, as well as the process for appraising trading opportunities.

North Tyneside Trading Company Limited and its original subsidiary North Tyneside Trading Company (Consulting) Limited were incorporated with Companies House on 11 December 2012 with a view to look for business opportunities across a range of services, however, none of these were deemed to be commercially viable at that time.

From May 2013, there was a change of focus for the Company. Cabinet asked the Trading Company to establish the capability to develop sites to deliver affordable homes as part of the Our North Tyneside Council Plan to deliver 3,000 new affordable homes in North Tyneside.

At the Annual General Meeting held on 25 March 2015, the Trading Company Board approved the setting up of a second subsidiary to carry out this purpose, North Tyneside Trading Company (Development) Limited. This subsidiary has delivered homes for affordable rent on the Reed Avenue site. Construction of the homes was completed in March 2017 with the first leases commencing on the 3 April 2017. All homes are occupied in line with the lettings policy which has an emphasis on applicants demonstrating a local connection.

The North Tyneside Trading Company (Development) Limited has now agreed a purchasing strategy to acquire homes on the open market to then let at an affordable rent, with the first 2 homes now having been purchased by the Company and a further 5 in the pipeline. Funding of these purchases is via a grant from the Authority of Section 106 Town and Country Planning Act 1990 commuted sums available for affordable housing. It is the intention to continue with this purchasing strategy in line with the Cabinet's priority of delivering more affordable homes. In addition this will build the asset base of the Company.

In March 2017, 2 further subsidiaries of North Tyneside Trading Company Limited were incorporated, Aurora Properties (Sale) Limited and Aurora Properties (Rental) Limited in order to deliver Cabinet's property development objectives. The purpose of Aurora Properties (Sale) Limited is to provide homes for sale on the open market while the purpose of Aurora Properties (Rental) Limited is to provide homes to be let at a market rent.

## **WHO WE ARE AND HOW WE WORK**

In line with Cabinet approval, work has commenced by the Company to build homes for market sale on its first 3 sites, Northumberland Square in North Shields, the Avenue site in Whitley Bay and Wallington Court site in Cullercoats. Funding for the construction of the homes is from the Authority in the form of both debt and equity funding. These sites will be developed by the Company through 2017/18, 2018/19 and 2019/20.

The Authority and the Company continue to explore sites to be developed out for either market sale or market rental properties and / or a mix of property – some affordable and some for market sale or rental.

Opportunities for the development of sites and other potential trading options will be considered and presented to Cabinet for consideration at the appropriate time.

### **Governance**

We are governed by a Board of Directors and guided by Articles of Association which regulate the affairs of the Company.

The composition of the Board of Directors for the Company is four Directors, two Cabinet Members and two senior officers from the Authority's Senior Leadership Team. Elected Members on the Board have a role at the heart of the Company, as the representatives of the residents of North Tyneside.

The current Directors are: Cabinet Members, Cllr. Bruce Pickard and Cllr. Ray Glindon and Senior Leadership Team members, Paul Hanson (Deputy Chief Executive) and Lisa Clark (Head of Commercial and Business Redesign).

The Board of Directors is directly accountable to the Shareholder (the Council). The Shareholder will make its decisions through the Cabinet. Council's Overview, Scrutiny and Policy Development Committee have an integral role in examining any Shareholder decisions.

### **Our Mission**

To maximise opportunities and outcomes for the Borough through the activities we undertake to support the Our North Tyneside Council Plan.

To provide a vehicle for the Council to test out new thinking in service delivery and new approaches to markets.

## WHO WE ARE AND HOW WE WORK

### **Appraising business opportunities**

As defined in the Articles of Association, the object of the Company is to:

‘Provide services to public bodies and other customers as appropriate’.

When trading opportunities are identified a business case will be developed outlining the potential benefits, risks and resources involved in pursuing that opportunity. Each business case must be approved by both the Council (by Cabinet or under delegated powers) and by the Company Board of Directors.

### **Assets**

The Company was established with no assets or staff. The Council initially provided the resources required to pursue agreed business opportunities under the European Union De Minimis "State Aid" Regulations. The Council is permitted to provide aid of up to €200,000 (circa £160k) over a rolling three-year period. It is beneficial at this stage to utilise the Services of General Economic Interest exemption to the requirements of State Aid to provide funding to the company by the Authority. Since the previous grant, firm plans are now in place and it is established that the grant will be used for affordable housing.

The Council provided a grant of £66k in 2016/17 to the Development subsidiary to cover running costs in completing its first affordable homes site. The grant can only be used by the North Tyneside Trading Company (Development) Limited for the purpose of the running costs associated with the development of affordable housing. Any surplus grant, or grant not used for this purpose would be clawed back by the Authority.

Funding required to cover the running costs of Aurora Properties (Sale) Limited in order to deliver its first three schemes at Northumberland Square site in North Shields, the Avenue site in Whitley Bay and Wallington Court site in Cullercoats will be secured by the Company through a loan from the Authority on commercial terms. The first tranche of this loan has been drawn down in line with Cabinet approval.

Further funding will be required if additional sites are progressed by the Trading Company for development in the future.

## WHO WE ARE AND HOW WE WORK

### **Financing of Company activities**

Funding of the purchasing strategy agreed by North Tyneside Trading Company (Development) Limited is via a grant from the Authority of Section 106 Town and Country Planning Act 1990 commuted sums available for affordable housing.

In line with Cabinet approval, funding required for the construction of the homes by Aurora Properties (Sale) Limited will be secured by the Company through a combination of loan from the Authority on commercial terms and equity funding. The drawdown of the funding will reflect the timeline of the projects being delivered.

## WHAT WE OFFER

### **Products and Services**

As part of the delivery of its Affordable Homes Programme, in March 2015, the Council's Cabinet asked the North Tyneside Trading Company to provide a business plan for delivery of affordable homes. North Tyneside Trading Company (Development) Limited was therefore established to act as one of the Council's developers of sites within North Tyneside for affordable homes use. In accordance with the request from Cabinet, the Company completed Reed Avenue as its initial development site and is progressing with a purchasing strategy of buying homes on the open market to be let at an affordable rent.

Cabinet also approved the strategy of the Company delivering additional sites to be developed out for either market sale or market rental properties and / or a mix of property – some affordable and some for market sale or rental. Therefore, the Company has set up two new subsidiaries, Aurora Properties (Sale) Limited and Aurora Properties (Rental) Limited, in March 2017 in order to deliver this strategy. The first three sites, to deliver homes for market sale are currently being progressed.

Opportunities for the development of further sites and other potential trading options will be considered and presented to Cabinet for consideration at the appropriate time.

Although previously no other commercial opportunities have been identified, the Directors still believe that there is potential to develop commercial activity within the Council, e.g. selling professional services to other organisations. The Directors will look to establish target markets for these services and will use North Tyneside Trading Company (Consulting) Limited to deliver these services where appropriate.

### **Risks**

These ambitions are set against a continuing backdrop of tough financial times. Full risk registers are in place for North Tyneside Trading Company Limited and all active subsidiaries and each project has a project specific risk register. These are actively reviewed regularly and are discussed at Board Meetings.

Monitoring and mitigation of these risks by the Directors of the Company and by the Cabinet as shareholder helps to enable the company to fulfil its strategic ambitions and to achieve its mission.